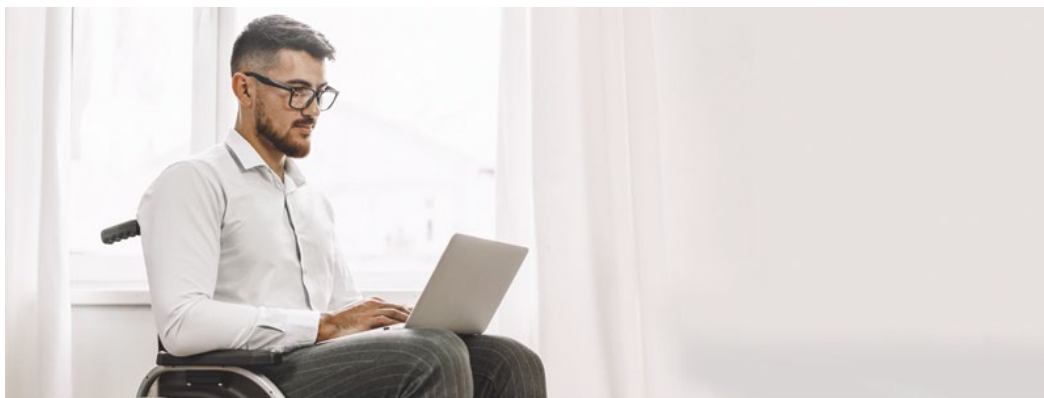


A Backup Plan for Your Paycheck



Your ability to earn a paycheck may be your most valuable asset. In a 2024 survey, 48% of Americans without disability insurance said their household would have to use personal savings to pay daily expenses in the event of a disability, and 26% said they would have to tap retirement savings.¹

Social Security offers some disability protection, but only one out of three applications is approved, and it typically takes almost eight months for an initial decision and seven more for an appeal.² The average monthly Social Security Disability Insurance payment of \$1,581 would not meet the needs of most families.³

Unfortunately, the odds of a disability are higher than you may think. The Social Security Administration projects that almost one out of four 20-year-old workers will experience a disability before they reach their full Social Security retirement age of 67.⁴

Portable individual coverage

If you're concerned about the potential effect of losing your paycheck due to sickness or injury, you might consider an individual disability income insurance policy, which could replace a portion of your income up to policy limits. Your employer may offer long-term disability coverage, but group plans typically don't replace as large a percentage of income as an individual plan could, and benefits from employer-paid plans are taxable to the employee if the premiums were paid by the employer.

An individual disability income insurance policy will stay in force regardless of your employment situation as long as you pay the premiums. If you have employer coverage, those benefits would generally be paid first, and your individual policy would pay any benefits that are higher than the employer coverage. Benefits may be paid for a specified number of years or until you reach retirement age. If you pay the premiums yourself with after-tax dollars, benefits are usually free of income tax.

Unlike group policies, individual policies can generally be customized to meet your specific needs. There are a variety of optional riders available at additional cost that provide the potential for higher benefits and/or for benefits to be paid under a broader range of circumstances.

Disability premiums are typically based on your age, gender, occupation, and the amount of potential lost income you are trying to protect, as well as the specifics of the policy and any additional riders. A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy. Carriers have the discretion to raise their rates and remove their products from the marketplace.

- 1) LIMRA, May 2, 2024
- 2) Center on Budget and Policy Priorities, August 6, 2024
- 3) Social Security Administration, January 2025
- 4) Social Security Administration, August 2024

IMPORTANT DISCLOSURES

The information presented here is not specific to any individual's personal circumstances. To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

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